

March 21, 1995

DOCKET NO. E-017/M-95-137

ORDER GRANTING ONE-YEAR EXTENSION OF DSM MECHANISM

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Joel Jacobs	Commissioner
Marshall Johnson	Commissioner
Dee Knaak	Commissioner

In the Matter of a Petition of Otter Tail Power Company for an Extension of its Demand Side Management Financial Incentive

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PROCEDURAL HISTORY

On February 28, 1991 the Commission issued an Order requiring all investor-owned electric utilities serving more than 500 Minnesota customers to file plans for financial incentives to promote demand side management. In the Matter of a Summary Investigation into Financial Incentives for Encouraging Demand-Side Resource Options for Minnesota Electric Utilities and Bidding Systems, Docket No. E-999/CI-89-212, ORDER REQUIRING ELECTRIC UTILITIES TO FILE FINANCIAL INCENTIVE PROPOSALS IN 1991 (February 28, 1991).

On October 1, 1991 Otter Tail Power Company (Otter Tail or the Company) filed its demand side management incentive proposal. The matter was assigned to Docket No. E-017/M-91-\$457.

On March 12, 1992, the Commission issued its ORDER ESTABLISHING DEMAND SIDE MANAGEMENT INCENTIVE PILOT PROJECT AND REQUIRING FURTHER FILINGS. In this Order, the Commission approved Otter Tail Power Company's financial incentives proposal, as modified, as a two year pilot project.

On January 31, 1994, the Commission issued its ORDER EXTENDING PILOT PROJECT, REQUIRING FURTHER FILINGS, AND AUTHORIZING WORKING GROUP in Docket No. E-017/M-91-457. In this Order, the Commission 1) extended OTP's DSM financial incentives pilot project through calendar year 1994, 2) directed the Company to file an examination of the free rider issue and an analysis of other misattributions of efficiency gains, and 3) authorized its Staff to convene a working group to make recommendations to the Commission on what information is necessary to evaluate the two-year experiment with financial incentives, to render its own evaluation of financial incentives' effect on utility behavior, and to make recommendations on the future of financial incentives in Minnesota.

On February 16, 1995, OTP filed a petition for approval to extend its lost margin recovery DSM incentive during calendar year 1995. The matter was assigned to the current docket.

On February 27, 1995, the Department filed comments supporting OTP's request.

On February 28, 1995, the Electric Utility DSM Financial Incentive Work Group filed its Report and Recommendations.

On March 9, 1995, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

A. OTP's Petition

In support of its petition to extend its currently approved DSM incentive mechanism for calendar year 1995, OTP stated that its existing financial incentive has had a positive impact on DSM activities, creating more cost effective DSM programs, increasing DSM expenditures, and increasing the overall performance of DSM.

OTP noted that the work group recommendations regarding the DSM financial incentive would be filed early in 1995 and that it planned to wait for those recommendations and the Commission's response before developing a long term financial incentive proposal. The Company argued that a one-year extension of its existing financial incentive mechanism would preserve continuity in this effort.

B. The Department's Comments

The Department supported OTP's request, arguing that a one-year extension would enable the Company to develop an incentive mechanism that reflected the Commission's most recent policy on long-term DSM incentives.

C. Commission Analysis and Action

The Commission notes that subsequent to the Company's petition and the Department's comments, the Electric Utility DSM Financial Incentive Work Group has filed its Report and Recommendations. The Commission has not adopted and need not adopt the recommendations of the Electric Utility DSM Financial Incentive Work Group at this time. However, the Commission acknowledges and values the concerted work that this report represents and feels that the Company's DSM financial incentive proposal could benefit from review in light of these recommendations.

Accordingly, the Commission will grant OTP's request to extend the financial incentive mechanism for an additional year. This will give both the Commission and the Company time to review the report in preparation for the Company's financial incentive proposal for calendar year 1996.

ORDER

1. Otter Tail Power Company's petition for a one-year extension of its current incentive mechanism is granted, effective January 1, 1995 through December 31, 1995.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)